

Message Text

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PAGE 01 ANKARA 01805 051323Z

47

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SUBJECT: BUSINESSMAN'S VIEWS ON MOBIL PROBLEM IN TURKEY

1. SUMMARY. KNOWLEDGEABLE TURKISH BUSINESSMAN BELIEVES SOLUTION OF MOBIL PROBLEM REGARDING REFINERY HERE COULD BE REACHED IF MOBIL WOULD RESUME PETROLEUM EXPLORATION IN TURKEY. HE BELIEVES CHANCES ARE GOOD FOR FAVORABLE RESULTS FROM DRILLING. HE WILL BE IN US LATER THIS MONTH AND IS WILLING TO TALK TO DEPARTMENT OFFICIALS OR SENIOR MOBILE REPRESENTATIVES. END SUMMARY.

2. ECONOMIC COUNSELOR TWO WEEKS AGO AT FAREWELL FOR MOBIL REPRESENTATIVE ANKARA (AND WELCOME FOR NEW REPRESENTATIVE) WAS INTRODUCED BY DEPARTING MOBIL REPRESENTATIVE TO MR. SADI CANCAR, HEAD OF TUR-KAN PETROL LTD. DISCUSSION FOLLOWED REGARDING MOBIL AND BP PROBLEM ARISING OUT OF DISPUTE OVER PRICE OF CRUDE PETROLEUM. CANCAR SUBSEQUENTLY MADE APPOINTMENT FOR DISCUSSION MARCH 4 WITH ECON COUNSELOR.

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PAGE 02 ANKARA 01805 051323Z

3. CANCAR SAID HE PREVIOUSLY WORKED MANY YEARS FOR MOBIL IN

TURKEY AND LATER FOR THREE YEARS FOR MOBIL IN CANADA. ABOUT FIVE YEARS AGO WITH THREE PARTNERS HE FORMED A TURKISH CANADIAN COMPANY, TUR-KAN. HOWEVER, CANCAR SUBSEQUENTLY BECAME SOLE OWNER OF FIRM WHICH NOW IS (APART FROM STATE-OWNED PETROLEUM COMPANY, TPAO) LARGEST HOLDER OF PETROLEUM PERMITS IN TURKISH PETROLEUM REGIONS V AND VI. (THIS IS CONFIRMED BY OFFICIAL GOT REPORTS ON PERMITS.) THESE REGIONS IN SOUTHEAST TURKEY, INCLUDING AREA AROUND SIIRT AND DIYABAKIR, CONTAIN MAIN PETROLEUM PRODUCING AREAS IN TURKEY. TUR-KAN RECENTLY CONCLUDED ARRANGEMENT WITH BP FOR JOINT EXPLORATION (BP 70 PERCENT, TUR-KAN 10 PERCENT, OTHERS 20 PERCENT) ON SOME OF THESE PERMITS. (BP HAS ANNOUNCED ITS INTENTION TO UNDERTAKE DRILLING IN LARGE NEWSPAPER ADS.) CANCAR IS ALSO COMPILING STUDY ON PAST PETROLEUM EXPLORATION IN TURKEY. HE SHOWED ECON COUNSELOR CONSIDERABLE DOCUMENTATION AND DATA, WHICH CANCAR SAID INDICATES THAT RESULTS OF FOREIGN PRIVATE COMPANIES HAVE BEEN FAR SUPERIOR TO RESULTS SHOWN BY TPAO. (ALSO, MANY OF TPAO'S PRODUCING WELLS WERE DISCOVERED BY FOREIGN COMPANIES UNDER CONTRACT TO TPAO.) CANCAR ALSO SHOWED QUESTIONS THAT HE PREPARED AND GAVE TO MEMBERS OF PARLIAMENT DURING RECENT DEBATE ON BUDGET FOR MINISTRY OF ENERGY. QUESTIONS WERE DESIGNED TO ELICIT REPLIES FROM MINISTRY CASTING FAVORABLE LIGHT ON ACTIVITIES OF FOREIGN PRIVATE COMPANIES IN TURKEY.

4. CANCAR SAID HE FEARS US-TURKISH RELATIONS, ALREADY STRAINED OVER CUT-OFF OF US MILITARY ASSISTANCE, COULD BE SERIOUSLY HARMED IF GOT TAKES ACTION AGAINST MOBIL REFINERY BECAUSE OF FAILURE TO RESOLVE EQUITABLY DISPUTE OVER IMPORT PRICE. HE FEELS CONDITIONS IN TURKEY WILL THEN GET WORSE IN MANY WAYS.

5. KEY TO DISPUTE INVOLVING BP AND MOBIL, HE SAID, IS REAL TURKISH CONCERN OVER DEPENDENCE ON IMPORTED CRUDE WHICH NOW MORE THAN EVER IS SERIOUS DRAIN ON BALANCE OF PAYMENTS. TURKISH OFFICIALS HAVE LONG BEEN FRUSTRATED BECAUSE OF FAILURE TO FIND AND DEVELOP DOMESTIC PETROLEUM RESOURCES. THEY FEEL THAT FOREIGN COMPANIES HAVE MADE INSUFFICIENT EFFORT TO LOOK FOR PETROLEUM WHEN THEY HAVE HELD PERMITS IN TURKEY. IN MOST PROMISING AREA IN TURKEY (REGION V), CANCAR SAID, ONLY EIGHT WILDCATS HAVE BEEN DRILLED IN AREA COMPRISING TWELVE MILLION ACRES. THIS IS A VERY LOW RATIO.

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PAGE 03 ANKARA 01805 051323Z

6. CANCAR SAID HE BELIEVES GOT WOULD READILY COME TO ACCOMMODATION WITH MOBIL ON OIL IMPORT PRICE IF MOBIL WOULD SHOW INTENTION TO RESUME EXPLORATION BY DRILLING TWO WELLS. TOTAL COST WOULD BE ABOUT ONE MILLION DOLLARS WHICH WOULD BE SMALL IN COMPARISON WITH ONE MILLION DOLLARS AND MORE PER MONTH THAT MOBIL WAS LOSING LAST YEAR BECAUSE OF SQUEEZE ON PETROLEUM PRICE AND IN RELATIONS TO STAKES INVOLVED IN THREAT TO MOBIL REFINERY.

ECONOMIC COUNSELOR SAID A HALF MILLION DOLLARS PER WELL SEEMED LOW IN RELATION TO CURRENT COSTS AND THAT GOT WOULD NOT RPT NOT LONG BE SATISFIED WITH DRILLING OF ONLY TWO WELLS. CANCAR SAID THIS COST WOULD BE ADEQUATE FOR FORMATIONS IN TURKEY. MOREOVER, THIS ACTION COULD HELP SOLVE IMMEDIATE PROBLEM OF PRICE DISPUTE THUS ENDING THREAT TO REFINERY. HE BELIEVES MOBIL WOULD GAIN ALL AROUND BECAUSE OF HIGH RATE OF SUCCESS FROM PREVIOUS DRILLING IN TURKEY. SUCCESS RATE FOR DRILLING OF 164 WILD-CATS ALL OVER TURKEY HAS BEEN ONE IN TEN. FOREIGN COMPANIES HAVE DONE MUCH BETTER, BUT TPAO HAS HAD LESS SUCCESSFUL RATE. IN PETROLEUM REGION V RESULTS HAVE BEEN EVEN BETTER. TPAO HAS AVERAGED ONE SUCCESS IN NINE; MOBIL AVERAGED ONE IN FOUR, AND SHELL ONE IN THREE.

7. CANCAR SAID MOBIL REPRESENTATIVE IN ANKARA, WHO IS IN CHARGE OF EXPLORATION ACTIVITIES IN TURKEY, AGREED WITH HIM AND HAD MADE RECOMMENDATIONS TO THIS EFFECT. HOWEVER, MOBIL OFFICIALS IN NEW YORK ARE "COLD" ON TURKEY, BOTH BECAUSE OF SQUEEZE ON OIL IMPORT PRICE AND BECAUSE MOBIL HAD PUT DOWN 18 DRY HOLES BY LOOKING IN THE WRONG PLACES. ECONOMIC COUNSELOR ASKED IF CANCAR WOULD HOPE TO WORK OUT PARTNERSHIP ARRANGEMENT WITH MOBIL FOR EXPLORATION ON TUR-KAN'S CURRENT PERMITS IF US COMPANY SHOULD RESUME EXPLORATION ACTIVITIES. CANCAR SAID NATURALLY HE WOULD BE READY TO DO SO IF MOBIL SHOULD BE INTERESTED. HOWEVER, HIS REAL CONCERN WAS TO SEE SOLUTION TO IMPASSE ON PRICE ISSUE BECAUSE HE IS CONCERNED ABOUT HARMFUL EFFECT ON US-TURKISH RELATIONS AND CONSEQUENCES THIS COULD HAVE WITHIN TURKEY.

8. CANCAR IS LEAVING ANKARA MARCH 6 ON A BUSINESS TRIP TO LONDON, OTTAWA, CALGARY, DALLAS AND NEW YORK. HE DOES NOT PLAN TO APPROACH MOBIL OFFICIALS, BUT SAID HE WOULD BE READY TO GIVE HIS VIEWS TO SENIOR MOBIL OFFICIALS AND/OR TO DEPARTMENT LIMITED OFFICIAL USE

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PAGE 04 ANKARA 01805 051323Z

OF STATE OFFICIALS IF THEY WISH. HE WILL BE IN VICINITY OF WASHINGTON

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D.C. ABOUT TWO WEEKS HENCE. HE CAN BE REACHED AT THAT TIME (OR BEFORE THAT TIME, IF DESIRED) THROUGH A PERSONAL FRIEND, A RETIRED MOBILE MANAGER FOR TURKEY: MR. H.E. PARSONS, TURKEYFOOT WOODS, STAR ROUTE 2, BOX 84-A1, AUGUSTA, WEST VIRGINIA 26704, PHONE (304) 496-4303.

9. ECON COUNSELOR SUBSEQUENTLY DISCUSSED CANCAR'S VIEWS WITH DEPARTING MOBIL REPRESENTATIVE ANKAR. LATTER CONFIRMED THAT MOBIL HAS DISCUSSED FARM-OUT ARRANGEMENTS WITH CANCAR DURING PAST YEAR (AND HAS ALSO DISCUSSED SUCH ARRANGEMENTS WITH OTHER PERMIT HOLDERS). HE SAID GOT DESIRE TO HAVE MOBIL RENEW EXPLORATION ACTIVITY IN TURKEY IS WELL KNOWN TO SENIOR MOBIL OFFICIALS AS IS SUGGESTION THAT SOLUTION ON PRICE ISSUE

MIGHT BE BROUGHT ABOUT IF MOBIL WERE TO RESUME EXPLORATION ACTIVITY. HE HAS NO WAY OF ASSESSING LIKELIHOOD THAT THIS WOULD IN FACT HAPPEN. HE IS NOT RPT NOT AWARE OF EXTENT TO WHICH OFFICIALS OF MOBIL PARENT COMPANY HAVE SERIOUSLY CONSIDERED THIS PROPOSAL.

10. COMMENT. CANCAR IS OBVIOUSLY A PROMOTER WHO HAS A DIRECT INTEREST IN THE MATTER. RESUMPTION OF EXPLORATION BY MOBIL OFFERS POSSIBILITY OF PARTNERSHIP ARRANGEMENT ON TUR-KAN PERMIT AREAS. CONVERSELY, IF GOT ACTS AGAINST MOBIL AND BP OTHER FOREIGN OIL COMPANIES MAY BE SCARED OFF THUS DIMINISHING CHANCES THAT TUR-KAN CAN MAKE ARRANGEMENTS FOR ITS LEASES.

NEVERTHELESS, WE CONSIDER IT MIGHT BE USEFUL TO BRING CANCAR'S VIEWS TO ATTENTION OF MOBIL OFFICIALS IN US IF THEY SHOULD CONTACT DEPARTMENT REGARDING THEIR COMPANY'S PROBLEM IN TURKEY, OR IF OTHER OCCASION IS PRESENTED. WE ARE UNABLE TO ASSESS LIKELIHOOD THAT GOT WOULD READILY COME TO ACCOMMODATION ON IMPORT PRICE IF MOBIL WERE TO RESUME DRILLING ACTIVITY IN TURKEY. HOWEVER, GOT CONCERN ABOUT DEPENDENCE ON IMPORTED CRUDE AND BELIEF THAT REPUTABLE PETROLEUM COMPANIES HAVE BEEN INDIFFERENT TO EXPLORATION ACTIVITIES IN TURKEY ARE COMMON KNOWLEDGE HERE.

WE DO NOT RPT NOT PROPOSE THAT USG URGE MOBIL TO UNDERTAKE FURTHER EXPLORATION ACTIVITY IN TURKEY. WE CERTAINLY LIMITED OFFICIAL USE

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PAGE 05 ANKARA 01805 051323Z

RECOGNIZE THAT MOBIL ORGANIZATION IS IN FAR BETTER POSITION THAN WE ARE TO ASSESS PROSPECTS FOR FURTHER EXPLORATION IN TURKEY. MOREOVER, IN ANY EVENT MOBIL ALONE MUST MAKE ASSESSMENT AND DECISION AS TO WHETHER ITS INVOLVEMENT IN DRILLING ACTIVITY WOULD ENHANCE PROSPECTS FOR SETTLEMENT OF DISPUTE OVER CRUDE OIL IMPORT PRICE. HOWEVER, IN VIEW OF DIFFICULT SITUATION FACING MOBIL HERE, IF IMPORT PRICE ISSUE NOT SETTLED SATISFACTORILY, WE BELIEVE THAT WE SHOULD DO WHAT WE CAN TO BE SURE THAT MOBIL OFFICIALS ARE FULLY AWARE OF ALL FACTS POSSIBLY BEARING ON SITUATION AND HAVE HAD OPPORTUNITY TO GIVE THEM FULL CONSIDERATION. BERGUS

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